





Getting credit will cost you more
Read and listen to it. Page 2

SUN 15c

IT'S A GIRL!



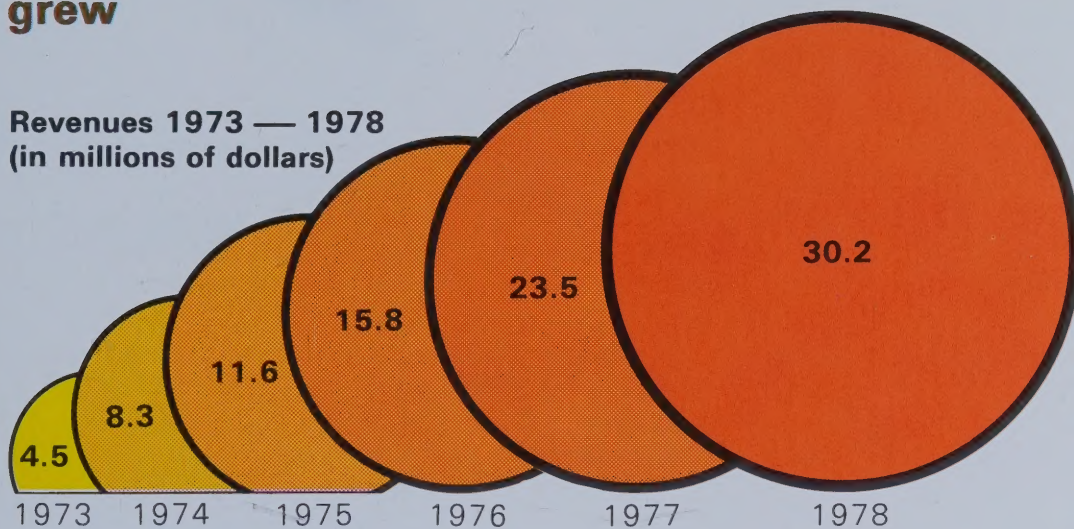
Pete
Egan
to the
newest
recorder



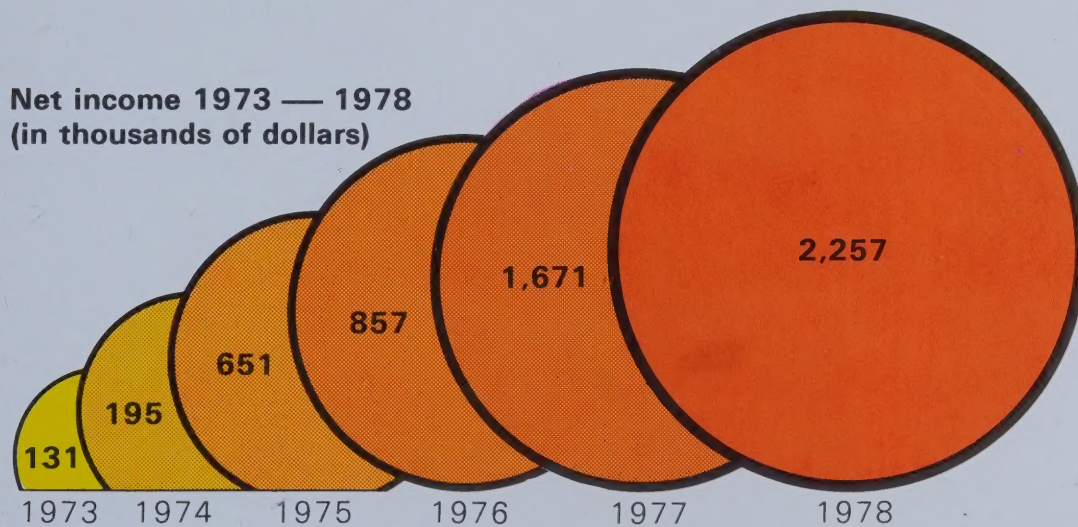
Peterson proves
wrong in contest
of missing film
at city hall

How we grew

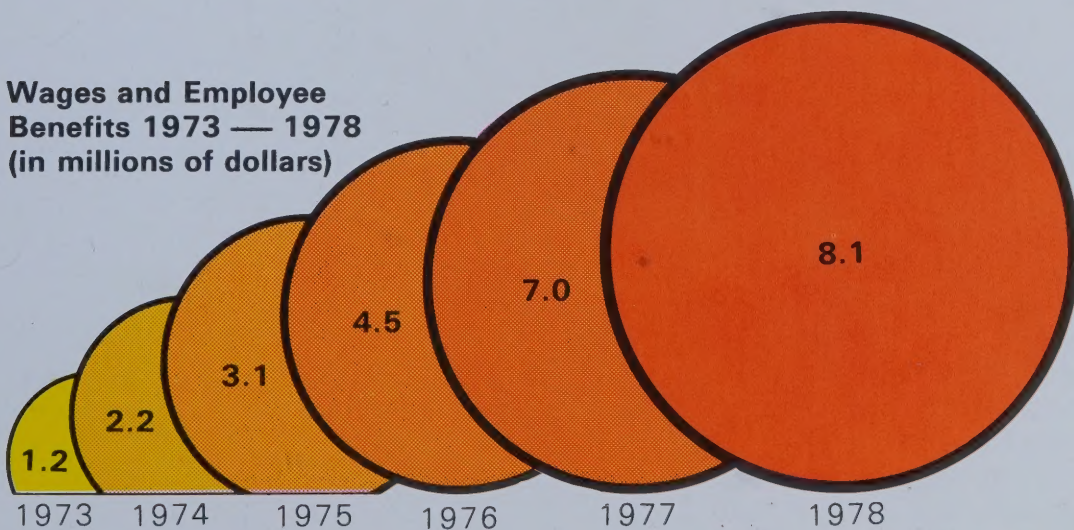
Revenues 1973 — 1978
(in millions of dollars)



Net income 1973 — 1978
(in thousands of dollars)



Wages and Employee Benefits 1973 — 1978
(in millions of dollars)



Sun's 1977 — 1978 Financial Highlights

NET INCOME: \$2,257,318
Up 35 percent

NET INCOME PER SHARE: \$1.50
Up 27 percent

REVENUES: \$30,247,641
Up 29 percent

To Our Shareholders

We are pleased to report that for the year ending April 29, 1978, the Toronto Sun continued its record of success.

Net income was \$2,257,318, compared to \$1,671,047 the previous year—a gain of 35%.

Net earnings per share were \$1.50, compared to \$1.18 the previous year, which is a gain of 27% (not taking into account the issue of 500,000 common shares on June 7, 1978).

Revenue for the year was \$30,247,641, compared to \$23,525,486 the previous year—an increase of 29%.

The Sunday Sun reached a circulation of 300,000 in May of 1977 and has increased from that figure despite opposition from the Sunday Star, which began publication last October.

In April 1977 the daily paper, which has no home delivery, reached a circulation of 150,000 and is now over 180,000.

Both circulations are all-time highs.

In 1972, the first full year of the Sun, your newspaper had 6% of the daily newspaper lineage in Toronto; the Star had 66%; and the Globe & Mail had 28%. In 1977, the Sun had 22.5%, the Star had 53.9%; and the Globe & Mail had 23.6%. This year the Sun has passed its morning opposition in total lineage.

On November 2, 1977, your company announced the beginning of its second newspaper, in Edmonton, Alberta. Its first issue was published April 2, 1978. The Edmonton Sun is printed Sunday through Friday, and, unlike Toronto, has daily morning home delivery.

Edmonton, one of Canada's fastest growing cities, had had only one newspaper, the Journal, which is one of the Southam group of papers.

The Edmonton Sun has a daily circulation of over 30,000 and a Sunday circulation of over 45,000. Your company has a building under construction in Edmonton and its own press ordered. Labor problems in the construction field have caused a delay, but the plant is expected to be operational by late Fall.

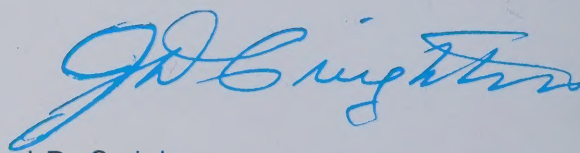
In Toronto, your company operates a newspaper syndicate which sells written material and circulation boxes to many other newspapers in Canada. In addition, the Financial Post is printed on Toronto Sun presses weekly. Both these operations are profitable and are included in the company's net income.

Your company elected a new Vice-President this year, Thomas Charles Peddie, C.A. Mr. Peddie joined the company as Controller three years ago and was promoted to Treasurer last year.

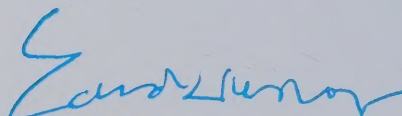
Your company now employs 460 people in Toronto and 150 in Edmonton.

The Toronto Sun Publishing Corporation continues to grow in every respect—net income, revenues, total assets, talent and experience. With this solid growth, we feel our future should be a reflection of our past.

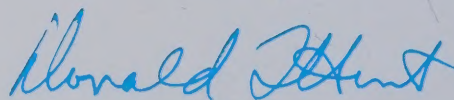
For Management and Directors,



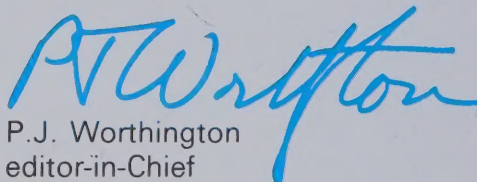
J.D. Creighton
Publisher



E.A. Dunlop
President



D.F. Hunt
General Manager



P.J. Worthington
editor-in-Chief

July 25, 1978

Photo shows, from left, Publisher J.D. Creighton, General Manager D.F. Hunt, President E.A. Dunlop, and, seated, Editor-In-Chief P.J. Worthington.



Directors of the Company

Name	Office	Principal Occupation
John Douglas Creighton	Vice-President, Publisher and Director	Officer of the Company
Edward Arunah Dunlop	President and Director	Managing Director, The Arthritis Society
Donald Frederick Hunt	Vice-President, General Manager and Director	Officer of the Company
Peter John Worthington	Vice-President, Editor-in-Chief and Director	Officer of the Company
Rudolph Peter Bratty	Director	Partner, Gambin, Bratty
John Henry Daniels	Director	Executive Vice-President, The Cadillac Fairview Corporation Limited
John Stuart Grant	Director	Partner, Manley, Grant & Camisso
Albert J. Latner	Director	President, Greenwin Property Management
James Franklin McCallum	Director	Partner, Gardiner, Roberts
Lionel Howard Schipper	Director	Partner, Goodman & Goodman
Herbert Harold Solway	Director and Secretary	Partner, Goodman & Goodman

Auditors' Report To The Shareholders

We have examined the balance sheet of The Toronto Sun Publishing Corporation as at April 29, 1978 and the statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at April 29, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

CHARTERED ACCOUNTANTS

Toronto

June 2, 1978

The readers that grew



At Christmas, Sun readers send cookies and cards. Other times they write angry letters. Sometimes they even picket the building. Whatever, they're rarely indifferent to the tiny tabloid with heart. Holding the paper with one hand and a subway strap by the other, they read the Sun. Eating lunch in the park, they read the Sun. Or standing on a corner, they read the Sun. And on Sundays, carriers like the one here deliver papers to readers' homes. Business types, office workers, executives, cabbies, all kinds. Their numbers grew with the paper.

The Toronto staff that grew

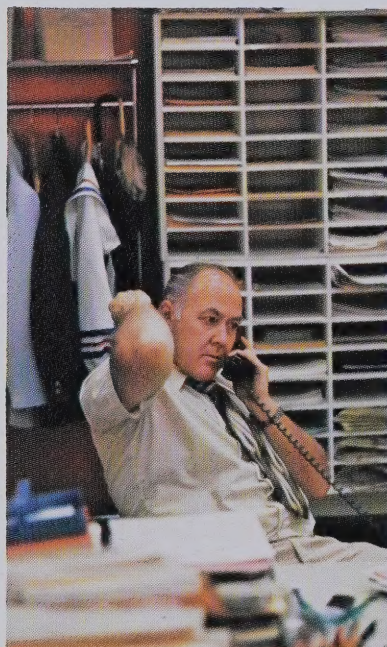
The 460 Toronto Sun employees work in many ways to perform what staffers call "the daily miracle." The jobs vary from that of our resident cartoonist and art department head (A), the fellow who looks after those bright red Sun boxes on the streets (B), the straw-hatted gent who takes photos (C), the people who run the monster cameras in the composing room (D), to the editors who check all those sports scores (E). The staffers also include those in the business office (F), in syndicate (G), in the display ad department (H), and in the classified ad department (I). And the paper handlers in the press room (J), the news editors (K), the promotion manager (L), and (M) is for mom, den mother in production. Sun staffers keep the composing room running smoothly (N), assign and edit reporters' work (O), and create in the color photo lab (P). Then there are the columnists (Q), who amuse or annoy, prick or praise, but daily perform their own miracles.



A



J



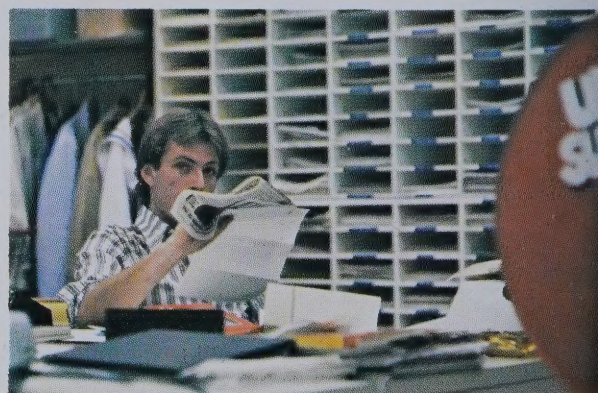
B



C



F



G



D



E

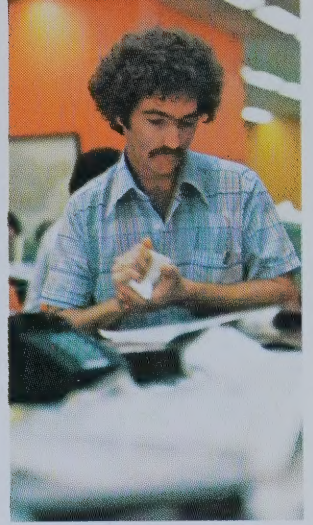
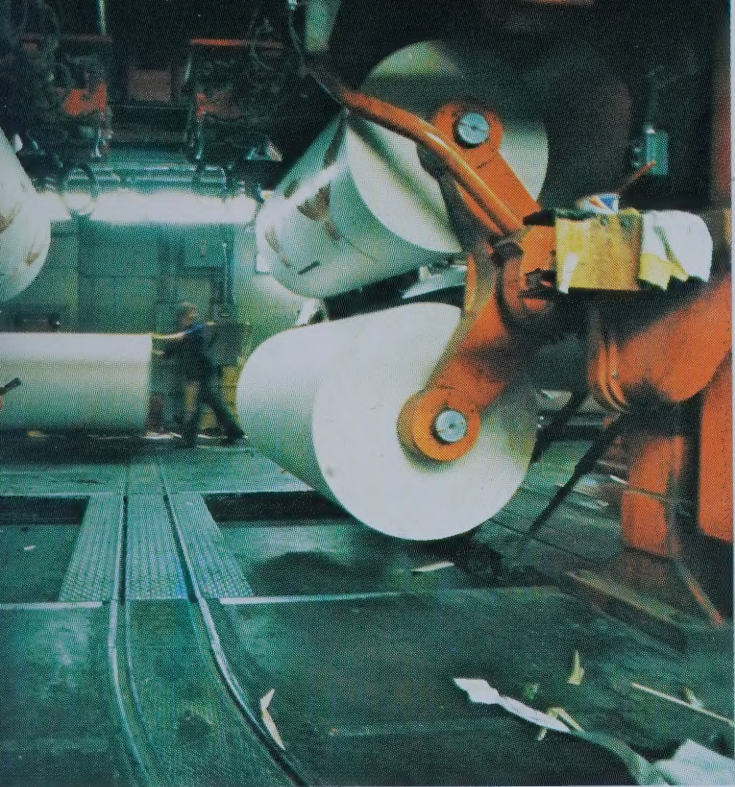


H



I

Sun employees who contributed to this report: Dave Blizzard, George Pomorski, Len Fortune, Greg Viens, Rose DiFalco, Andy Donato, Vince Desai, Kathy Brooks, Ottmar Bierwagen.



N

O



P

K



M

L



Q

Balance Sheet as at April 29, 1978

Assets

	1978 \$	1977 \$
CURRENT ASSETS		
Cash	—	449,087
Accounts receivable	5,190,583	3,919,114
Note receivable	—	107,800
Income taxes recoverable	—	8,262
Inventory	280,129	266,333
Prepaid expenses	220,405	245,712
Share purchase loans	<u>268,403</u>	<u>303,081</u>
	5,959,520	5,299,389
FIXED ASSETS (note 3)	15,652,135	11,900,141
DEFERRED EXPENDITURES	390,985	—
	<u>22,002,640</u>	<u>17,199,530</u>

SIGNED ON BEHALF OF THE BOARD


Director


Director

Liabilities

	1978 \$	1977 \$
CURRENT LIABILITIES		
Bank overdraft	498,474	—
Accounts payable and accrued liabilities	3,601,870	2,937,698
Income taxes	300,687	35,294
Current portion of long-term debt (note 4)	<u>1,568,581</u>	<u>1,372,808</u>
	5,969,612	4,345,800
LONG-TERM DEBT (note 4)	6,382,821	6,483,341
DEFERRED INCOME TAXES	<u>3,504,000</u>	<u>2,344,000</u>
	<u>15,856,433</u>	<u>13,173,141</u>

S H A R E H O L D E R S ' E Q U I T Y**CAPITAL STOCK (notes 5 and 7)**

Authorized —

4,997,288 common shares without par value

Issued and fully paid —

1,499,796 shares	607,638	590,375
RETAINED EARNINGS	<u>5,538,569</u>	<u>3,436,014</u>
	<u>6,146,207</u>	<u>4,026,389</u>
	<u><u>22,002,640</u></u>	<u><u>17,199,530</u></u>

Statement of Earnings and Retained Earnings
for the year ended April 29, 1978

	1978 \$	1977 \$
REVENUE		
Newspaper operations	27,116,049	20,771,551
Commercial printing and other	<u>3,131,592</u>	<u>2,753,935</u>
	<u>30,247,641</u>	<u>23,525,486</u>
OPERATING EXPENSES		
Wages and employee benefits	8,151,998	7,040,867
Production costs	9,361,184	7,485,543
Departmental operating expenses	5,854,268	4,075,141
Syndicate features	1,068,972	660,821
Depreciation and amortization	1,136,459	819,767
Interest on long-term debt	575,126	625,980
Other interest	<u>290,416</u>	<u>43,320</u>
	<u>26,438,423</u>	<u>20,751,439</u>
EARNINGS BEFORE INCOME TAXES	3,809,218	2,774,047
PROVISION FOR INCOME TAXES	<u>1,551,900</u>	<u>1,103,000</u>
NET EARNINGS FOR THE YEAR	2,257,318	1,671,047
RETAINED EARNINGS — BEGINNING OF YEAR	3,436,014	1,765,217
REFUNDABLE DIVIDEND TAXES (RECOVERED)	(2,775)	250
PREMIUM ON SHARES REPURCHASED	8,780	—
DIVIDEND	<u>148,758</u>	<u>—</u>
RETAINED EARNINGS — END OF YEAR	<u><u>5,538,569</u></u>	<u><u>3,436,014</u></u>
NET EARNINGS PER SHARE		
Based on weighted average number of shares outstanding	<u><u>1.50</u></u>	<u><u>1.18</u></u>

**Statement of Changes in Financial Position
for the year ended April 29, 1978**

	1978 \$	1977 \$
SOURCE OF WORKING CAPITAL		
Net earnings for the year	2,257,318	1,671,047
Items not affecting working capital —		
Depreciation	1,123,659	819,867
Amortization	12,800	—
Deferred income taxes	<u>1,160,000</u>	<u>1,007,000</u>
Provided from operations	4,553,777	3,497,914
Increase in long-term debt	2,500,000	1,289,925
Issue of shares	<u>63,700</u>	<u>588,447</u>
	<u>7,117,477</u>	<u>5,376,286</u>
USE OF WORKING CAPITAL		
Deferred expenditures	403,785	—
Fixed assets purchased	3,698,959	2,739,688
Deposits on equipment	1,176,694	—
Repayment of long-term debt	2,404,747	1,068,566
Redemption of shares	55,217	—
Refundable dividend taxes	(2,775)	250
Increase in current portion of long-term debt ..	195,773	257,985
Dividend	<u>148,758</u>	<u>—</u>
	<u>8,081,158</u>	<u>4,066,489</u>
INCREASE (DECREASE) IN WORKING CAPITAL ..	(963,681)	1,309,797
WORKING CAPITAL (DEFICIENCY) —		
BEGINNING OF YEAR	<u>953,589</u>	<u>(356,208)</u>
WORKING CAPITAL (DEFICIENCY) —		
END OF YEAR	<u><u>(10,092)</u></u>	<u><u>953,589</u></u>

Notes to Financial Statements for the Year ended April 29, 1978

1. AMALGAMATION

Toronto Sun Holdings Limited ("Holdings") and The Toronto Sun Publishing Limited ("Publishing") were amalgamated and continued as The Toronto Sun Publishing Corporation (the "Company") by Articles of Amalgamation effective February 4, 1978.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial statement presentation

Holdings' only material asset at all times since its inception has been its interest in Publishing, and Holdings at no time carried on business operations. Under the terms of the amalgamation of February 4, 1978, the relative effective ownership interests of the individual shareholders of the combining companies in Publishing, the active business entity in the group, were unchanged. Accordingly, the accompanying financial statements have been prepared on the basis of including the combined financial position, results of operations and changes in financial position of Holdings and Publishing up to the date of amalgamation together with the results of operations of the amalgamated company for the period from February 4, 1978 to April 29, 1978.

In addition, these financial statements include the accounts of The Toronto Sun Publishing Corporation and The Edmonton Sun, a partnership in which the Company has a 95% interest, which commenced operations on April 2, 1978.

(b) Inventory valuation

Inventories have been valued at cost, determined on the first-in, first-out basis.

(c) Depreciation

Plant and equipment are depreciated over their estimated useful lives by charges to operations using the straight-line method. The rates of depreciation are as follows:

Building	4%
Presses and mail room	6 $\frac{2}{3}$ %
Production and photographic equipment	20%
Office furniture and equipment	15%
Circulation boxes	33 $\frac{1}{3}$ %
Motor vehicles	20%

(d) Income taxes

Deferred income taxes represent amounts deferred to future years arising from the earlier deduction of certain expenses, principally depreciation, for tax purposes. Investment tax credits are reflected in earnings in the year they are claimed for tax purposes.

(e) Long-term debt

The long-term debt repayable in U.S. dollars is translated at the rates of exchange prevailing at the date the liabilities were incurred. The current portion of long-term debt has been translated at the rate of exchange at April 29, 1978.

(f) Deferred expenditures

Deferred expenditures represent costs of start-up of The Edmonton Sun. These costs are being amortized over a period of three years commencing April 2, 1978.

3. FIXED ASSETS

(a)

	1978			1977
	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Land	937,419	—	937,419	889,359
Building	5,955,319	531,035	5,424,284	4,278,873
Presses and mailroom	6,336,166	939,506	5,396,660	5,666,159
Production and photographic equipment	2,456,576	517,085	1,939,491	553,065
Office furniture and equipment	585,610	170,969	414,641	270,239
Circulation boxes	844,043	571,833	272,160	219,505
Motor vehicles	67,619	15,138	52,481	22,941
Deposits on equipment	<u>1,176,694</u>	<u>—</u>	<u>1,176,694</u>	<u>—</u>
	<u>18,359,446</u>	<u>2,745,616</u>	15,613,830	11,900,141
Leasehold improvements — at amortized cost			38,305	—
			<u>15,652,135</u>	<u>11,900,141</u>

(b) Commitments for capital expenditures amount to approximately \$9,520,000.

4. LONG-TERM DEBT

(a) Long-term debt comprises:

	1978		1977
	Current \$	Long-term \$	Long-term \$
8½% note repayable in U.S. dollars by quarterly instalments of \$124,285 (U.S.)	497,141	497,141	994,281
Bank loan, secured by a first mortgage debenture, a general assignment of accounts receivable and a floating charge over all other assets, bearing in- terest at 1½% over the minimum bank lending rate but not less than 10%, repayable in quar- terly instalments of \$142,860 over a seven year period commencing June 15, 1976	571,440	2,285,680	2,857,120
Advances from shareholders bearing interest at 6% per annum	—	1,600,000	1,600,000
Bank loan secured by a first mortgage debenture, a general assignment of accounts receivable and a floating charge over all other assets, bearing in- terest at 1½% over the minimum bank lending rate, repayable in quarterly instalments of \$125,000 over a five year period commencing July 1, 1978	500,000	2,000,000	—
9% note payable in U.S. dollars	<u>—</u>	<u>—</u>	<u>1,031,940</u>
	<u>1,568,581</u>	<u>6,382,821</u>	<u>6,483,341</u>

Notes to Financial Statements for the Year ended April 29, 1978 (continued)

- (b) The minimum repayments of long-term debt in the next five years are as follows:

	\$
1979	1,568,581
1980	1,568,581
1981	1,195,725
1982	1,071,440
1983	1,071,440

5. SHARE CAPITAL

- (a) Immediately prior to the amalgamation on February 4, 1978, there were 1,502,508 common shares of Publishing outstanding of which 1,040,000 were owned by Holdings. At the same time, 1,653 common shares of Holdings were outstanding. The shares of Publishing owned by Holdings were cancelled on amalgamation and all the outstanding common shares of Holdings were converted into 1,040,000 common shares of the Company. The 462,508 common shares of Publishing not owned by Holdings (minority interest) were converted into common shares of the Company on a share for share basis.

	Number of shares issued	Consideration \$
Amalgamation on February 4, 1978:		
(a) Conversion of Holdings shares into shares of the Company	1,040,000	1,653
(b) Conversion of the minority interest shares in Publishing into shares of the Company	<u>462,508</u>	<u>617,118</u>
	<u>1,502,508</u>	<u>618,771</u>

(b) During the year ended April 29, 1978 common shares were issued to and repurchased from certain employees for cash as follows:

	Date	Number of shares	Value \$
Issued —	November, 1977	9,100	<u>63,700</u>
Repurchased —	June, 1977	1,804	10,409
	October, 1977	3,316	19,133
	December, 1977	756	5,292
	January, 1978	200	1,400
	February, 1978	2,486	17,402
	April, 1978	226	<u>1,581</u>
			55,217
Less: Premium on repurchases			<u>8,780</u>
			<u>46,437</u>

(c) As a result of the shares repurchased and cancelled during February and April, 1978, the authorized capital was reduced to 4,997,288 shares.

6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

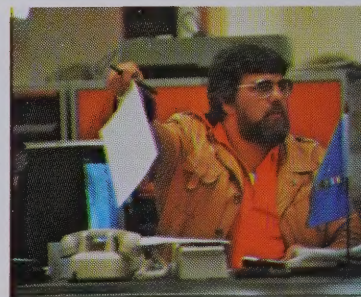
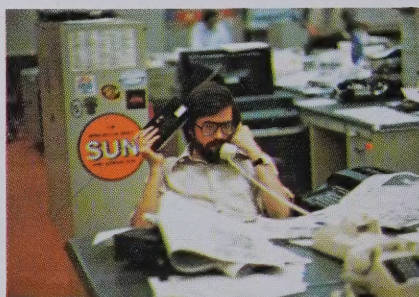
Remuneration of directors and senior officers as defined by the Ontario Business Corporations Act totalled \$352,710 (1977 — \$276,765).

7. SUBSEQUENT EVENT

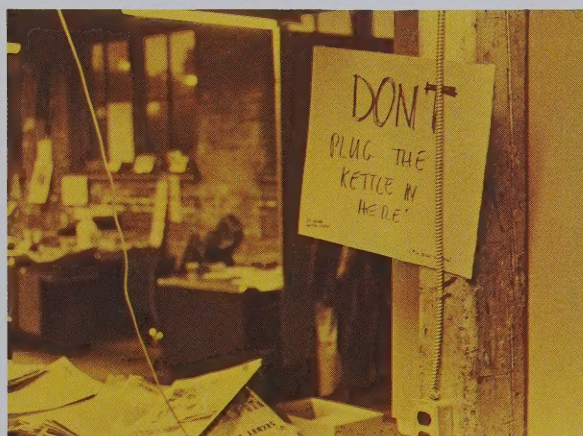
Under an underwriting agreement dated May 17, 1978 the company agreed to sell to McLeod Young Weir Limited, as underwriters, 500,000 common shares for an aggregate consideration of \$5,750,000.

The Sun that grew in the west

The Sun rose in the west on April 2, 1978, in the go-ahead city of Edmonton. The climate in winter can be cold, but the people who live there have been warm toward the new newspaper, and the Edmonton Sun has a daily circulation of more than 30,000 and a Sunday circulation of more than 45,000. Publisher William J. Bagshaw, top right, poses in front of the site where construction is taking place on the paper's plant. Labor problems have delayed its completion, but it is expected to be in operation in late autumn. Meanwhile the 150 Edmonton staffers work in pleasant temporary offices. The editor is Ron Collister, below.



Before we grew



It's not much like Bassett's old place. That line about said it all for the ex-Toronto Telegram types who found themselves in the Eclipse building at 322 King Street West on Nov. 1, 1971. They eventually worked in pretty surroundings, top photo, and tiny ironies such as not being able to plug in a kettle were forgotten. But no one will forget Rimstead's spontaneous party, above, to which he invited all Sun readers (but forgot to tell management about). Since the party was in Sun offices, editors and writers worked through the fun. The darkroom, photo at right, was, shall we say, makeshift. Then in May 1975, our own building was completed and the workman proudly hung out our shingle at 333 King St. East.



The little paper that grew.